

Bad Axe Area District Library
Bad Axe, Michigan

Financial Report
for the Fiscal Year ended
June 30, 2008

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HYZER, HILL, KUZAK & CO., P.C.

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Bruce Hill

Donald Kuzak

Michael Doerr

Independent Auditor's Report

To the Library Board
Bad Axe Area District Library
Bad Axe, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bad Axe Area District Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bad Axe Area District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bad Axe Area District Library as of June 30, 2008 and the respective changes in the financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Hyzer, Hill, Kuzak & Co. P.C.

November 13, 2008

Basic Financial Statements

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 69,464
Cash not qualifying as cash equivalents	79,629
Prepays	1,727
Capital assets, net	<u>72,268</u>
Total assets	223,088
LIABILITIES:	
Accrued payroll and liabilities	3,429
NET ASSETS:	
Investment in capital assets, net	72,268
Restricted:	
Other purposes	29,629
Unrestricted	<u>117,762</u>
Total net assets	<u><u>\$ 219,659</u></u>

Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
Recreation and cultural	\$ 211,423	\$ 22,672	\$ 15,480	\$ (173,271)
General revenues:				
Property taxes				192,369
State aid				6,756
Penal fines				33,472
Unrestricted investment income				2,644
Miscellaneous				216
Total general revenues				235,457
Change in net assets				62,186
Net assets, beginning of year				157,473
Net assets, end of year				\$ 219,659

The notes to financial statements are an integral part of this statement.

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 69,464
Cash not qualifying as cash equivalents	79,629
Prepays	<u>1,727</u>
Total assets	<u>\$ 150,820</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accrued payroll and liabilities	\$ 3,429
Fund Balances	
Reserved:	
Other purposes	29,629
Unreserved	<u>117,762</u>
Total fund balances	<u>147,391</u>
Total liabilities and fund balances	<u>\$ 150,820</u>

**Reconciliation of Fund Balance on the Balance Sheet for
Governmental Funds to Net Assets of Governmental Activities
on the Statement of Net Assets
June 30, 2008**

Fund balance, total governmental funds \$ 147,391

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Capital assets	193,020	
Accumulated depreciation	<u>(120,752)</u>	<u>72,268</u>

Net assets, governmental activities \$ 219,659

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2008

	<u>General</u>
Revenues:	
Property taxes	\$ 192,369
State aid	6,756
Charges for services	14,636
Penal fines	33,472
Interest income	2,644
Rental income	8,036
Miscellaneous	<u>15,696</u>
Total revenues	273,609
Expenditures:	
Recreation and cultural	
Library	<u>218,228</u>
Excess of revenues over expenditures	55,381
Fund balance, beginning of year	<u>92,010</u>
Fund balance, end of year	<u><u>\$ 147,391</u></u>

The notes to financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008**

Net change in fund balance, total governmental funds		\$ 55,381
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	34,790	
Depreciation expense	<u>(27,985)</u>	<u>6,805</u>
Change in net assets, governmental activities		<u>\$ 62,186</u>

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Bad Axe Area District Library (the "Library") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Bad Axe Area District Library:

Reporting Entity

The Bad Axe Area District Library was established under Public Act 24 of 1989 on July 1, 2006. The District Library's first fiscal year began on July 1, 2007. The participating municipalities in this agreement are the City of Bad Axe and the Bad Axe Public Schools. The Library is governed by a Board consisting of 3 members appointed by the governing body of the City of Bad Axe and 4 members appointed by the governing body of the Bad Axe Public Schools.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. The Library has no business type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The Library reports the following major governmental fund:

The General Fund is used to account for all the financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from property taxes, state distributions and other intergovernmental revenues.

Assets, Liabilities and Net Assets or Equity

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when acquired. Investments are stated at fair value.

Property Taxes – During 2007, the voters of the Bad Axe Area District Library approved a millage of .9 mills on all real and personal property. This levy is collected by the Townships and City within the Library's boundaries based on the following schedule. Property taxes are levied on December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include equipment, books and periodicals, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Equipment, books and media are depreciated using the straight-line method over the following useful lives:

Equipment	5 – 7 years
Books and media	5 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 – Budgets

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Bad Axe Area District Library follows these procedures in establishing the budgetary data reflected in the financial statements.

- The Library's director submits to the Board a proposed budget during May of each year. The budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the line item level.
- Appropriations lapse at year end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as Required Supplementary Information.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library incurred expenditures at the budgetary center level over budget as follows:

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Excess</u>
Primary government:			
General fund:			
Recreation and cultural			
Education	\$ -	\$ 30	\$ 30
Furnishings, equipment and software	11,460	11,727	267
Periodicals	3,500	3,548	48
Public relations	2,006	2,282	276
Special intent	4,044	6,465	2,421
Supplies	5,722	6,006	284
Tax cancellation	-	79	79
Utilities	12,880	12,903	23

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the Board has authorized investments to those listed under the State's statutory authority as noted above. The Library's deposits and investments are in accordance with statutory authority.

At year end, the Library's cash and investments were reported in the accompanying financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 69,464
Cash not qualifying as cash equivalents	79,629
Total	<u>\$ 149,093</u>
	<u>Governmental Activities</u>
Cash on hand	\$ 200
Demand deposits	69,264
Certificates of deposit	79,629
Total	<u>\$ 149,093</u>

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$53,581 of bank deposits (checking and certificates of deposits) that were uninsured and uncollateralized.

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. None of the Library's investments were subject to credit risk ratings.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Note 4 – Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental activities:				
Primary government:				
Capital assets being depreciated:				
Equipment	63,270	8,621	-	71,891
Books and media	124,640	26,169	(29,680)	121,129
Subtotal	187,910	34,790	(29,680)	193,020
Accumulated depreciation:				
Equipment	57,442	3,408	-	60,850
Books and media	65,005	24,577	(29,680)	59,902
Subtotal	122,447	27,985	(29,680)	120,752
Net capital assets being depreciated	65,463	6,805	-	72,268
Capital assets, net	<u>\$ 65,463</u>	<u>\$ 6,805</u>	<u>\$ -</u>	<u>\$ 72,268</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Recreation and cultural	\$ 27,985

Note 5 – Payables

Accounts payable and accrued liabilities in the primary government are as follows:

	<u>Governmental Activities</u>
Wages, fringe benefits and other accrued liabilities	\$ 3,429

Note 6 – Retirement Plans**Defined Benefit Pension Plan****Plan description**

The Library contributes to a defined benefit pension plan with the Michigan Municipal Employees Retirement System (MERS). One full-time administrator is eligible to join the plan.

The Municipal Employees Retirement System of Michigan (MERS), is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation, which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experienced rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

Employees are required to contribute 5% of their annual earnings to the System. The Library is required to contribute based on an actuarially determined rate.

Annual pension cost

For 2008, the Library's annual pension cost was equal to their required contribution. Actual contributions were made based on the actual payroll paid rather than the estimated payroll used in the actuarial valuation. The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) investment rate of return of 8%; (b) projected salary increases ranging from 4.5% to 12.90% per year; and (c) 4.5% per year cost of living increases. The actuarial value of plan assets was determined using methods that smooth the effect of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

The Library's total payroll for the year ended June 30, 2008 was \$102,375. The Library's contributions were calculated using the base salary amount of \$42,006 and the Library made the required contributions amounting to \$5,338.

Defined Contribution Pension Plan

One employee of the Library participates in a defined contribution pension plan entitled "Bad Axe Area District Library Group Pension Plan". The plan administrator is John Hancock. Under the Plan agreement, the Library is required to contribute an amount equal to 8.5% of the annual compensation paid to covered employees. Employees are required to contribute an amount equal to 2.5% of their annual compensation. Employees may also make voluntary non-deductible contributions to the Plan up to a maximum of 10% of their annual compensation. Compensation for Plan purposes does not include payments for overtime. Employee non-deductible voluntary contributions may only be withdrawn upon termination of employment, retirement or death. Benefits vest after ten years of service. Employees not wishing to participate in the plan must notify the plan administrator in writing.

All contributions to the Plan are invested with John Hancock under an Allocated Retirement Account. Each employee has 11 investment options from the security of a guaranteed account to the opportunities of an aggressive stock fund.

The following pension data is presented for the year ended June 30, 2008:

Total payroll	<u>\$ 102,375</u>
Total payroll for employees covered by the plan	<u>\$ 23,540</u>
Employer contribution percentage	8.5%
Employer contribution	<u>\$ 2,001</u>
Employee contribution percentage	2.5%
Required employee contributions	\$ 589
Employee non-deductible voluntary contributions	<u>-</u>
Total employee contributions	<u>\$ 589</u>

Note 7 – Risk Management

Property, liability, worker's compensation insurance, health and disability benefits are contracted by the Library with commercial insurance providers. For the year ended June 30, 2008, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

Note 8 – Reserved Fund Balance

Various certificates of deposit have been designated by donor for specific purposes. The following is a summary of the reserved fund balances of the governmental funds.

Reserved For

Learman Trust Fund	\$ 29,629
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Required Supplemental Information

Bad Axe Area District Library**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison
For the Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 193,163	\$ 192,341	\$ 192,369	\$ 28
State aid	3,300	6,756	6,756	-
Charges for services	12,550	14,199	14,636	437
Penal fines	26,000	33,472	33,472	-
Interest income	5,435	2,614	2,644	30
Rental income	10,000	8,000	8,036	36
Miscellaneous	9,250	13,216	15,696	2,480
Total revenues	259,698	270,598	273,609	3,011
Expenditures:				
Recreation and cultural:				
Bindery	300	205	102	103
Book club	750	624	624	-
Books	13,500	13,500	13,500	-
Building rental	-	2	2	-
Cappuccino	300	169	169	-
Education	-	-	30	(30)
Furnishings, equipment & software	11,000	11,460	11,727	(267)
Insurance	4,000	4,724	4,724	-
Learman endowment	1,200	1,304	1,304	-
Maintenance	8,000	10,000	9,437	563
Media	10,000	7,000	6,719	281
MelCat delivery	-	550	550	-
Payroll service	-	190	187	3
Periodicals	3,500	3,500	3,548	(48)
Postage	900	900	900	-
Professional fees	500	1,450	1,053	397
Public relations	2,000	2,006	2,282	(276)
Sleeper Library revenue sharing	-	2,990	2,990	-
Special intent	-	4,044	6,465	(2,421)
State use tax	-	280	142	138
Supplies	5,500	5,722	6,006	(284)
Tax cancellation	-	-	79	(79)
United Way	-	500	500	-
Utilities	16,000	12,880	12,903	(23)
Wages and benefits	132,000	132,363	129,160	3,203
White Pine	1,650	3,125	3,125	-
Total expenditures	211,100	219,488	218,228	1,260
Excess of revenues over expenditures	48,598	51,110	55,381	1,751
Fund balance, beginning of year	92,010	92,010	92,010	-
Fund balance, end of year	\$ 140,608	\$ 143,120	\$ 147,391	\$ 1,751

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Bruce Hill

Donald Kuzak

Michael Doerr

November 13, 2008

Bad Axe Area District Library

200 S Hanselman

Bad Axe, MI 48413


Dear Library Director and Library Board:

In planning and performing our audit of the financial statements of the Bad Axe Area District Library for the year ended June 30, 2008, we considered the Library's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This report does not affect our report dated November 13, 2008 on the financial statements of the Bad Axe Area District Library.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Library personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Hyzer, Hill, Kuzak & Co., P. C.

Bank Accounts

Deposits were made on a monthly basis. During property tax collection season and at other times of high cash volume, deposits should be made more frequently.

All funds are on deposit with Signature Bank. At times during the year, account balances are above the FDIC insured limits for one institution. It is recommended that the Library keep some of the certificate of deposit account at another financial institution in Bad Axe in order to maximize the insurance coverage of the Library's funds. Temporarily FDIC insured limits are \$250,000 from October 2008 to December 2009.

Property Tax Revenue

The Library Director should request final taxable values from each taxing unit and maintain a complete schedule of tax revenue received as compared to expected revenue. Additionally, a copy of the remittance and stub should be maintained for property tax receipts if there is no other documentation received with the tax distributions from various governmental agencies.

Credit Card Statements

When monthly credit card payments are approved for payment, there should be supporting documentation for every transaction on the statement. We noted a couple of exceptions where an invoice or documentation for small items was missing. There should be documentation for all transactions paid for with public funds.

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Bruce Hill
Donald Kuzak
Michael Doerr

November 13, 2008

Library Board

Bad Axe Area District Library

Bad Axe, MI 48413

In planning and performing our audit of the financial statements of the Bad Axe Area District Library (Library) as of and for the year ended June 30, 2008, in accordance with U.S. generally accepted auditing standards. We considered the Bad Axe Area District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

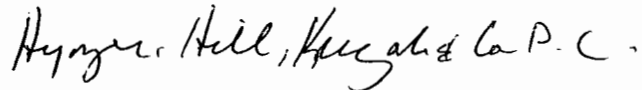
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

Preparation of Financial Statements

In conjunction with our audit, we have proposed audit adjustments and been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Library's financial statements. However, if at any point in the audit we as auditors are part of the Library's control system for producing reliable financial statements, auditing standards indicate that the Library has a control deficiency. The proposal of audit adjustments and preparation of financial statements and disclosures, even from information provided by Management, meets this definition and is, therefore, a control deficiency.

This report is intended solely for the information and use of the Library Board, management and others within the Library and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Hyzer, Hill, Kuzak & Co. P.C.", written in a cursive style.

Hyzer, Hill, Kuzak & Co., P.C.